

Message Text

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17

ACTION SS-25

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P R 240830Z APR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 7755

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

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EXDIS

HONG KONG FOR TREASURY REP

E.O. 11652: N/A

TAGS: EFIN ENRG EALR ID

SUBJ: INDONESIAN GOVERNMENT MAINTENANCE OF ITS INTERNATIONAL CREDIT

REF: A. JAURTA 4825 B. JAKARTA 3195 C. JAKARTA 2896 D. EAL

1. SUMMARY: WHILE INDONESIAN GOVERNMENT AT HIGHEST LEVELS HAS PERTAMINA FINANCIAL DIFFICULTIES FIRMLY IN HAND IT FACES MINOR TECHNICAL DIFFICULTIES ON SOME SMALL PAYMENTS. GOVERNMENT DOING EVERYTHING IN ITS POWER TO CONTINUE MEETING ALL EXTERNAL OBLIGATIONS FULLY AND PROMPTLY. THESE EFFORTS STRONGLY MOTIVATED BY NEED TO PROTECT CURRENT GOI PROGRAM TO RAISE \$400-\$500 MILLION IN INTERNATIONAL MONEY MARKETS. ACTION REQUESTED: THAT DEPARTMENT REVIEW THESE DEVELOPMENTS WITH TREASURY AND FEDERAL RESERVE BOARD (FRB) BANK EXAMINATION OFFICIALS.

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END SUMMARY.

2. INDONESIAN GOVERNMENT AND BANK INDONESIA (BI) ARE INTENSIVELY SEIZED WITH PROGRAM TO MEET ALL OBLIGATIONS RESULTING FROM PERTAMINA COMMITMENTS (C.F. REF B.) INTERNATIONALLY RESPECTED INVESTMENT HOUSES ACTIVELY ADVISING AND ASSISTING GOI, WHICH FOLLOWING THEIR GUIDANCE VERY CLOSELY. BI AND PERTAMINA COOPERATING CLOSELY TO ASSURE ALL BANK DEBTS SETTLED FULLY AND PROMPTLY. BI HOWEVER HAVING SOME PROBLEMS WHERE FOREIGN BANKS HAVE EXTENDED 360 DAY CREDITS ON BANKERS ACCEPTANCES, BECAUSE OF TIME LAG BETWEEN PRESENTATION DOCUMENTS TO PERTAMINA AND BI'S ABILITY TO AUTHENTICATE VALIDITY OF UNDERLYING PERTAMINA COMMITMENTS (N.B. TIME LAG IS RESULT OF MANPOWER LIMITATIONS TO COPE WITH WORKLOAD NOT REPEAT NOT ADEQUACY OF DOCUMENTS.). AS RESULT, DELAYS OF SEVERAL WEEKS HAVE OCCURRED IN LIQUIDATING SOME SMALL AMOUNTS (E.G., \$2-3 MILLION) AGAINST CERTAIN SYNDICATED LINES OF CREDIT. MARINE MIDLAND BANK (MM), LEADING ONE SYNDICATE WITH \$30 MILLION CREDIT LINE, IS ONLY CASE OUT-STANDING WHICH CAUSESSENDER CONCERN AT PRESENT, TO OUR KNOWLEDGE. EMBASSY HAS ALERTED FINANCIAL ADVISORS OF GOI THAT ONE SMALL REGIONAL MEMBER OF MM SYNDICATE EXTREMELY EDGY AND COULD CAUSE PROBLEMS FOR GOI. ADVISORS MET WITH ECONOMIC MINISTER WIDJOJO APRIL 23 TO DEAL WITH THIS PROBLEM.

3. MM ADVISES EMBASSY THAT THIS MONTH FEDERAL RESERVE BOARD BANK EXAMINERS HAVE INQUIRED INTO STATUS AND AMOUNTS OF PERTAMINA OBLIGATIONS HELD BY MARINE MIDLAND AND UNION PLANTERS BANK, NASHVILLE, TENNESSEE. SEVERAL OTHER US BANKS HAVE EXPRESSED CONCERN TO EMBASSY THAT FRB OR TREASURY EXAMINERS MIGHT DECIDE TO CLASSIFY LOANS TO PERTAMINA. I URGE THAT EB ESTABLISH CONTACT PROMPTLY WITH CHIEFS OF BANK EXAMINATION UNITS IN TREASURY AND FRB AND DRAWING UPON EMBASSY REPORTING AND ANALYSIS, REVIEW PERTAMINA AND GOI FINANCIAL SITUATION. SUGGEST YOU EMPHASIZE OUR CONVICTION--AND THAT OF MAJOR US AND EUROPEAN BANKS PRESENTLY INVOLVED IN LARGE INTERNATIONAL BORROWING SYNDICATE (REF A)-- THAT GOI IS DOING ITS UTMOST TO MEET ALL EXTERNAL OBLIGATIONS FULLY AND PROMPTLY AND HAS FULL FINANCIAL CAPABILITY TO DO SO. IF TREASURY OR FRB, THROUGH UNCOORDINATED DECISION-MAKING, WERE TO CLASSIFY ANY LOANS OF PERTAMINA OR CAST LIMITED OFFICIAL USE

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DOUBT ON CREDIT RATING OF INDONESIA ITSELF, A LA ITALY 1974, THIS COULD JEOPARDIZE GOI EFFORTS TO PUT INDONESIA'S FOREIGN CREDITS ON SOUNDER BASIS AND WOULD BE READ AS FURTHER INDICATION NEGATIVE US ATTITUDE TOWARD INDONESIA.

4. ACTION REQUESTED: WOULD APPRECIATE DEPARTMENT'S CLOSE ATTENTION IN BRINGING THIS MATTER URGENTLY TO ATTENTION APPROPRIATE AUTHORITIES.

NEWSOM

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Message Attributes

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